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**Prepared for Rep. Henry A. Waxman**

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## **Failure to Increase Pell Grants Affects Thousands of Students from California's 30th Congressional District**

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On September 2, 2004, in his speech to the Republican National Convention, President Bush promised that he was committed to “expanding Pell Grants for low and middle income families.”<sup>1</sup> His comments reiterated his 2000 campaign pledge to give students “more access to and more choice in higher education” by expanding the Pell Grant program.<sup>2</sup>

During the Bush Administration, however, funding shortfalls have left the Pell Grant program with a debt of \$3.7 billion, nearly a third of its estimated costs in the current academic year.<sup>3</sup> Despite the President’s 2000 campaign promise to raise the maximum Pell Grant award to \$5,100 per year, the President’s FY 2005 budget proposes to freeze the maximum Pell Grant at \$4,050 for the third straight year. The result has been a sharp reduction in the value of Pell Grants for the neediest college students.

At the request of Rep. Waxman, this analysis examines Pell Grants awarded to students from the 30th Congressional District of California. It finds that there are approximately 9,700 students in the district who received Pell Grants in 2004, including 2,000 students who received the maximum grant of \$4,050. The failure of Pell Grants to keep pace with the rising costs of college education is forcing these students to shoulder the burden of rapidly rising tuition expenses without federal assistance.

### **BACKGROUND**

The federal Pell Grant program offers need-based scholarships to undergraduate college students, providing more than \$13 billion in grants nationwide to over five million college students from low- and middle-income families. These scholarships, which account for nearly all federal grant assistance to college students, offer valuable support for students and their families who are attempting to contend with rapidly rising tuition costs.

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<sup>1</sup> Republican National Committee, *Remarks By President George W. Bush at the 2004 Republican National Convention* (Sept. 2, 2004) (online at [www.gop.com/News/Read.aspx?ID=4601](http://www.gop.com/News/Read.aspx?ID=4601)).

<sup>2</sup> *Bush Proposes Pell Grant Raise*, University Wire (Sept. 8, 2000).

<sup>3</sup> Department of Education, *FY 2005 ED Budget Summary and Background Information* (Feb. 2004).

The students most in need of financial assistance receive the maximum awardable Pell Grant, the value of which is set each year during the appropriations process. During the last year of the Clinton Administration, the maximum Pell Grant was increased to \$3,750. During the first year of the Bush Administration, President Bush requested a small increase in the maximum Pell Grant to \$3,850.<sup>4</sup> Congress rejected the President's request and raised the maximum Pell Grant to \$4,000.

In 2002, average tuition costs increased 10%, yet the President's budget requested no increase of the \$4,000 maximum Pell Grant for FY 2003.<sup>5</sup> As a result, Congress enacted only a modest \$50 increase to raise the maximum to \$4,050. The President's budget actually sought to cut the maximum Pell Grant to \$4,000 for FY 2004, despite the fact that college tuition increased a record 13% during 2003.<sup>6</sup> Congress maintained the maximum at \$4,050. Tuition for the current year has increased by 9% over 2003, yet the President's budget proposes freezing the maximum Pell Grant at \$4,050 for FY 2005.<sup>7</sup> If Congress accepts this recommendation, the maximum Pell Grant would remain at \$4,050 for the third consecutive year.

## METHODOLOGY

To conduct this analysis, the Special Investigations Division obtained zip-code level data on the Pell Grant program from the Department of Education. The data includes information on the total number of Pell Grants awarded to students in each zip code, as well as the total value of those grants.<sup>8</sup> This data also contains information on the number of students receiving the maximum Pell Grant. This data was used to determine the impact of President Bush's budget proposal on college students from the 30th Congressional District, which is represented by Rep. Henry A. Waxman.

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<sup>4</sup> The College Board, *Trends in College Pricing 2003* (Oct. 2003) (online at [www.collegeboard.com/prod\\_downloads/press/cost03/cb\\_trends\\_pricing\\_2003.pdf](http://www.collegeboard.com/prod_downloads/press/cost03/cb_trends_pricing_2003.pdf)); White House Office of Management and Budget, *Budget for the U.S. Government: FY 2002* (Feb. 2001).

<sup>5</sup> The College Board, *Id.*; White House Office of Management and Budget, *Budget for the U.S. Government: FY 2003* (Feb. 2002).

<sup>6</sup> White House Office of Management and Budget, *Budget for the U.S. Government: FY 2004* (Feb. 2003); The College Board, *supra* note 4.

<sup>7</sup> The College Board, *supra* note 4; *University Tuition: The Dollar Amounts*, USA Today (Sept. 8, 2004); White House Office of Management and Budget, *Budget for the U.S. Government: FY 2005* (Feb. 2004).

<sup>8</sup> All data in the Department of Education database was available at the 5-digit zip code level. Because 5-digit zip codes can sometimes be split between two or more congressional districts, the analysis assumes that when a zip code is split between two districts, half of the impacted college students in the zip code are in each congressional district. Similarly, when a zip code is split between three districts, one-third of the impacted college students in the zip code are assumed to be in each congressional district.

## FINDINGS

### A. Thousands of Students in Rep. Waxman's District Are Recipients of Pell Grants

Statewide, hundreds of thousands of California students benefit from Pell Grants that help cover the high cost of college tuition. Department of Education data indicate that in 2004, an estimated \$1.5 billion in Pell Grants was awarded to more than 623,000 college students from California.<sup>9</sup> Statewide, the average Pell Grant was \$2,450 per student.

In Rep. Waxman's district, an estimated \$26 million in Pell Grants was awarded to more than 9,700 college students in 2004. The average Pell Grant in the 30th Congressional District was \$2,640 per student.

### B. The Failure to Increase the Maximum Pell Grant Affects Thousands of Students in Rep. Waxman's Congressional District

The size of a Pell Grant awarded to college students depends on the student's financial need. The students who qualify for the maximum Pell Grant of \$4,050 are those whose income and whose families' income are insufficient to contribute to the cost of attending college.

In 2004, more than 104,000 students in California — 17% of all Pell recipients in the state — received the maximum Pell Grant. In Rep. Waxman's district, approximately 2,000 students — 21% of all Pell recipients in the district — received the maximum Pell Grant. These are the students who are most directly affected by the failure to increase the maximum Pell Grant.

### C. The Maximum Pell Grant Is Not Keeping Pace with Rising Tuition Costs for Students in Rep. Waxman's District

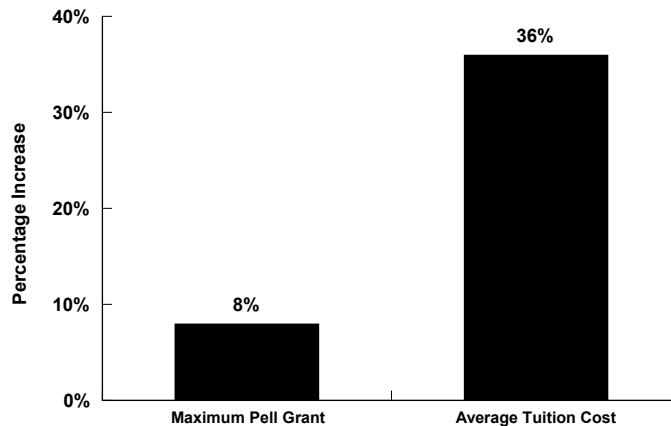
The President's FY 2005 budget requests a freeze on the maximum awardable Pell Grant for the third consecutive year. If Congress adopts this funding proposal, the value of the maximum Pell Grant will have increased by only 8% during the four years of the Bush Administration. During this same period, however, the average cost of tuition at a public university has increased by 36%.<sup>10</sup> Figure 1.

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<sup>9</sup> The Department of Education database covers all Pell Grants awarded for the 2002–2003 academic year, which corresponds with the FY 2002 appropriations. From the 2002–2003 academic year to the 2003–2004 academic year, the total number of Pell Grants awarded increased 11% and the total amount awarded increased 12%. U.S. Department of Education, Budget Service, *Department of Education Fiscal Year 2005 President's Budget* (Feb. 2, 2004) (budget table). This analysis assumes that the number of grants and amount awarded changed at the same rate in California and the 30th Congressional District as it did nationally.

<sup>10</sup> The College Board, *supra* note 4; *University Tuition: The Dollar Amounts*, *supra* note 7.

**Figure 1: Under the Bush Administration, the Increase in the Maximum Pell Grant Has Been Outpaced by the Increase in Tuition Costs**



**D. The Failure to Increase the Pell Grant Maximum Deprives Students in Rep. Waxman's District of Millions of Dollars in Financial Assistance**

The failure of the maximum Pell Grant to keep up with rising college costs imposes significant burdens on students facing financial hardship. Tuition costs have increased on average from \$3,573 to \$4,855 between 2001 and 2004 at four-year public colleges. Room and board expenses can easily add \$5,000 or more to the yearly cost of attending college. The failure to raise the maximum Pell Grant has forced many students to shoulder \$1,000 or more in additional college costs.

Because the size of Pell Grants is determined by the difference between the amount the student can afford and the maximum award value, an increase in the Pell Grant maximum would lead to an increase in funding for all Pell Grant recipients. When President Bush campaigned in 2000, he promised to increase the maximum Pell Grant to \$5,100.<sup>11</sup> The Department of Education estimates that if the maximum Pell Grant were raised to \$5,100 as the President promised, over \$4 billion in additional grant money would go to Pell Grant recipients.<sup>12</sup>

College students in California and Rep. Waxman's district would derive significant benefits from an increase in the maximum Pell Grant. If the maximum Pell Grant were increased to \$5,100, Pell Grant recipients in California would receive approximately \$475 million more in funds. Similarly, Pell Grant recipients in the 30th Congressional District would receive over \$7.9 million more in funds.

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<sup>11</sup> See note 2.

<sup>12</sup> The Department of Education estimates that for every \$100 increase in the maximum awardable Pell Grant, overall program costs will increase by roughly \$350 million. U.S. Department of Education, Budget Service / Cost Estimation and Analysis Division, *Federal Pell Grants: Applicant Trends, Funding Shortfalls, & the FY 2005 Budget* (Mar. 31, 2004).

## **CONCLUSION**

Approximately 623,000 students in California received Pell Grants in 2004, with 104,000 of these students receiving the maximum awardable amount. In Rep. Waxman's district, approximately 9,700 students received Pell Grants, with 2,000 students receiving the maximum award. For these students, the failure of the President to propose increases in the maximum Pell Grant imposes significant hardships. In the past four years the cost of attending a public university has increased by 36%, while the maximum Pell Grant has increased by only 8%. The disparity between increasing costs and stagnating financial assistance constitutes a de facto cut in aid to the neediest college students and deprives students in Rep. Waxman's district of millions of dollars in college tuition assistance.